



Kate Kiernan

Vice President, Chief Counsel & Deputy, State Relations

Testimony of the American Council of Life Insurers
before the Insurance and Real Estate Committee
Tuesday, March 1, 2016

House Bill 5343 – An Act Adopting the National Association of Insurance Commissioners' Interstate Insurance Product Regulation Compact

Senator Crisco, Representative Megna and members of the Insurance and Real Estate Committee, the American Council of Life Insurers (ACLI) appreciates the opportunity to offer the following comments asking the committee to amend **House Bill 5343 – An Act Adopting the National Association of Insurance Commissioners' Interstate Insurance Product Regulation Compact (IIPRC)**. ACLI strongly supports the enactment of a complete Compact bill to allow Connecticut to enter into an agreement with the other compacting states to correct the biggest problem life insurance companies have with the state regulatory system today – differing state product filing standards and regulatory requirements which slows the speed to market time of life insurance products.

States have developed many different standards for approval of life insurance products. As a result, life insurance contracts must be tailored to each state resulting in a confusion of contracts. This is costly to the companies and confusing to the consumers. And the current system is a disadvantage to insurers as compared to banks who have a much faster approval process for products. We would urge the committee to amend the bill and pass it out of committee.

We ask the committee to delete lines 800 through 803 in Article XVII which pertains to a war risk exclusion. The Interstate Compact in 2014 adopted a comprehensive standard for war risk exclusion which follows:

"J. EXCLUSIONS

(1) Any exclusion applied to the death benefit of the policy, except for accidental death benefits, shall be limited to the following:

(a) War

(i) If in the application the proposed insured represents that he or she is a member of the military, military reserves, or the National Guard, whether active or inactive, risk of death as a result of war or any act related to military service shall not be excluded from the death benefit of the policy.

(ii) Other than as described in (i) above, risk of death as a result of war or act of war may be excluded from the death benefit of the policy under the following conditions:

(A) As a result of war or act of war, if the cause of death occurs while the insured is serving in the military, naval or air forces of any country, combination of countries or international organization, provided such death occurs while in such forces or within six months after termination of service in such forces; or

(B) As a result of the special hazards incident to service in the military, naval or air forces of any country, combination of countries or international organization, if the cause of death occurs while the insured is serving in such forces and is outside the home area, provided such death occurs outside the home area or within six months after the insured's return to the home area or area in such forces or within six months after the termination of service in such forces, whichever is earlier.

(iii) Regarding non-combatant civilian exclusions, risk of death may be excluded under the following conditions:

(A) As a result of war or an act of war while the insured is serving in any civilian non-combatant unit serving with such forces, provided such death occurs while serving in such units or within six months after termination of service in such units, whichever is earlier.

(B) As a result of the special hazards incident to service in any civilian non-combatant unit serving with such forces, if the cause of death occurs while the insured is serving in such units and is outside the home area, provided such death occurs outside the home area or within six months after the insured's return to the home area while serving in such units or within six months after the termination of service in such units, whichever is earlier.

(iv) Regarding civilian exclusions, risk of death may be excluded under the following conditions:

(A) As a result of war or an act of war, within two years from the date of issue of the policy, while the insured is not serving in such forces or units, if the cause of death occurs while the insured is outside the home area, provided such death occurs outside the home area or within six months after the insured's return to the home area.

(v) "Home area" is defined to include at least the 50 states of the United States and its territories, the District of Columbia and Canada. "War" includes, but is not limited to, declared war, and armed aggression by one or more countries resisted on orders of any other country, combination of countries or international organization. "Act of war" means any act peculiar to military, naval or air operations in time of war."

The inclusion of the opt-out in HB 5343, in addition to being duplicative with the standard, may invalidate Connecticut's entry into the Compact. In fact, a similar situation occurred in Florida which passed a law with deviations from the Compact and led the state not being eligible for entry into the IIPRC.

The Compact offers the best opportunity to improve state regulation of life insurance by providing a modernized and efficient regulatory review process for product filings. National product standards and centralized filing for life insurance products benefits consumers, insurers, and government alike.

Colorado was the first state to adopt this legislation in 2004. Since that time, 43 states and Puerto Rico have joined the Compact representing 72 percent of premium volume nationwide. Over the last 12 years, the IIPRC has adopted over 90 uniform life insurance product standards. The Compact has also been endorsed by several state legislative groups, including the National Conference of State Legislators (NCSL) and the National Conference of Insurance Legislators (NCOIL).

We commend the committee for sponsoring this bill and recognizing the inherent benefits that will accrue from joining the IIPRC. We hope that you will amend the legislation to permit Connecticut to join the Compact.

Thank you for the opportunity to comment on this proposed legislation. Please contact John Larkin at (860) 508-9924 or Kate Kiernan at (202) 624-2463 with any questions.

The American Council of Life Insurers (ACLI) is a national trade association with approximately 300 member companies operating in the United States and abroad. 228 member companies serve Connecticut consumers. ACLI advocates in federal, state, and international forums for public policy that supports the industry marketplace and the 75 million American families that rely on life insurers' products for financial and retirement security. ACLI members offer life insurance, annuities, retirement plans, long-term care and disability income insurance, and reinsurance, representing more than 90 percent of industry assets and premiums in Connecticut. Learn more at www.acli.com.